



1 ENERGY AND ENVIRONMENT CABINET

2 Department for Natural Resources

3 Division of Oil and Gas

4 (Amended After Comments)

5 805 KAR 1:180. Production reporting.

6 RELATES TO: KRS 353.550(1)

7 STATUTORY AUTHORITY: KRS 349.115, 353.540, 353.550(4), 353.670(1)

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 353.550(1) and KRS 349.115

9 authorizes the department to promulgate administrative regulations requiring an operator of oil and
10 gas properties in the Commonwealth to identify producing leases. This administrative regulation is
11 necessary to specify the requirement of annual reporting, the content of the report, and the form on
12 which the report shall be made.

13 Section 1. [~~Definitions. In addition to the definitions set out in KRS 353.510, the following~~
14 ~~definitions shall apply to this administrative regulation:~~

15 (1) ~~"GPS" means a global positioning satellite, which:~~

16 (a) ~~Receives radio frequencies from more than one (1) satellite; and~~

17 (b) ~~Is able to locate a point on the earth.~~

18 (2) ~~"Mcf" means 1,000 cubic feet of natural gas.~~

19 (3) ~~"Net gas sales" means the amount of metered or prorated gas sold into the line of first~~
20 ~~purchase and may be different from produced gas, due to line loss and compressor usage.~~

1 ~~(4) "Produced gas" means the amount of produced gas metered or prorated at the well head~~
2 ~~on a monthly basis.~~

3 ~~(5) "Purchaser or lease number" means the number assigned by the purchasing company to~~
4 ~~the lease or well for accounting and payment purposes.~~

5 ~~(6) "Topographic spot" means the act of locating a well on a United States Geological Survey~~
6 ~~1:24,000 Topographic Map and scaling that well location on the map to determine its Carter~~
7 ~~Coordinate location.~~

8 Section 2.] Annual Report of Monthly Production. (1) An oil or gas operator shall:

9 (a) Compile and retain records of the monthly production of natural gas and crude oil; and

10 (b) For the preceding year, file the production information with the Division by April 15.

11 (2) The information may be submitted to the division:

12 (a) On Form OG-17 [~~ED-17~~], "Annual Report of Monthly Production for Natural Gas and/or
13 Crude Oil"; or

14 (b) By using:

15 1. Common personal computer spread sheet or database software;

16 2. An electronic mail attachment.

17 (3) An operator shall be permitted to submit the information in accordance with subsection
18 (2)(b) of this section, subject to the division being able to process the production data electronically.

19 (4) The following shall be included in the information submitted by the operator:

20 (a) Operator name and address;

21 (b) Production year;

22 (c) Permit number issued by the Division of Oil and Gas;

23 (d) Purchaser number;

(e) Number of wells on the lease for which the report is being filed;

(f) Farm name, complete with the individual well name and well number;

(g) County of production;

(h) Producing formation or, if production is commingled from multiple wells which are not metered separately, the identification of the wells as "commingled" and the pertinent formations from which production was made; **[and]**

(i) The location of the tank battery affiliated with the well; and

(j) Well status, identified as producing or shut-in.

(5) Production from a gas well shall be reported in Mcf of net gas sales by well. In addition to reporting net gas sales, produced gas may also be reported at the option of the operator.

(6) Monthly oil production shall be reported in barrels by individual well or by lease; if by lease, the operator shall attach to Form OG-17 ~~[ED-17]~~ a list identifying the purchaser number and division permit number of all wells producing on that lease.

(7) For a well drilled prior to the date upon which a permit for the drilling and production of a well was statutorily required, the operator shall provide a Carter Coordinate location for each well not having a location on file with the division; that location may be estimated by a topographic spot, a GPS locator, or by survey.

(8) Production information reported pursuant to this administrative regulation shall be organized into a standard format and shall be made available for public release no earlier than January 1 nor later than March 1 of the following year.

Section 2[3]. Penalties. If an operator does not file his production data on Form OG-17 ~~[ED-17]~~ by April 15 after each production year, the division shall notify the operator ~~[him]~~ in writing of the ~~[his]~~ noncompliance. If the operator ~~[he]~~ does not submit all required production information

1 within forty-five (45) days after being notified of the [his] noncompliance, the operator [he] shall be
2 subject to denial of permits in accordance with KRS 353.570 or KRS 349.040 for coalbed methane
3 wells and the penalties established in KRS 353.991(2), (3) and (4) or KRS 349.155 for coalbed
4 methane wells.

5 Section 4. Incorporation by Reference. (1) "Annual Report of Monthly Production for
6 Natural Gas and/or Crude Oil", OG-17, October[June] 2019 [~~November 12, 1997 edition~~],
7 ~~Division of Oil and Gas,~~ is incorporated by reference.

8 (2) This form may be obtained, examined, or copied at the Kentucky Department for Natural
9 Resources, Division of Oil and Gas, 300 Sower Boulevard, Frankfort, Kentucky 40601, Monday
10 through Friday, 8 a.m. to 4:30 p.m., Eastern Prevailing Time.

805 KAR 1:180 approved for filing.
Pages (1-4)

10/14/2019

Date

Charles G. Snavely

Charles G. Snavely, Secretary
Energy and Environment Cabinet

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation No.: 805 KAR 1:180
Contact Person: Michael Mullins

Contact number: (502) 782-6720
Email: michael.mullins@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation is necessary to specify the requirement of annual reporting, the content of the report, and the form for the report.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the requirements for production reporting.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 353.550(1) authorizes the department to promulgate administrative regulations requiring an operator of oil and gas properties in the Commonwealth to identify producing leases. This administrative regulation conforms to the authorizing statutes by establishing the procedures under which oil and gas operators are to submit production reporting information.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by providing information related to production reporting from producing oil and gas wells.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment will incorporate information related to production reporting for coalbed methane wells. This information was previously in 805 KAR 9:090. The amendment made in response to comment inserts a requirement for operators to include tank battery locations on their annual production report. The administrative regulation is also amended to insert "eastern Prevailing Time" into the incorporation by reference section.

(b) The necessity of the amendment to this administrative regulation: This amendment is necessary to consolidate two administrative regulations into one administrative regulation related to production reporting. The amendments made in response to comments was necessary to capture information related to tank battery location and also to clarify that the time for copying material incorporated by reference is "Eastern Prevailing Time".

(c) How the amendment conforms to the content of the authorizing statutes: The amendment consolidates production reporting information related to coalbed methane wells from 805 KAR Chapter 9 into this administrative regulation. The amendment made in response to comment inserts a requirement to include tank battery locations.

(d) How the amendment will assist in the effective administration of statutes: These amendments will assist in the effective administration of the statutes by consolidating two administrative regulations related to production reporting. The amendment conforms to the authorizing statutes by requiring operators to include tank battery locations associated with the reported well and by clarifying the Division's hours of operation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation. There are approximately 1,060 active oil and gas operators in the commonwealth

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated entities identified in question (3) will meet the same requirements related to production reporting for wells. However, the information as it relates to coalbed methane well production reporting will now be in this administrative regulation instead of 805 KAR 9:090. The amendments made in response to comments will require the entities to provide tank battery locations to the Division of Oil and Gas as part of their annual production reporting form. The entities will also need to be aware that the Division's listed hours of operation in the material incorporated by reference section are Eastern Prevailing Time.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There will be no additional costs related to these amendments. The amendments made in response to comments will not result in a cost to the entities listed in question #3. The operator of a well will be required to report the location of a tank battery that is associated with a well that is already being required to have production reported. This is a simple addition to a form already used by operators and that will be required to provide GPS coordinates.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): As a result of compliance, entities will be able to find all information related production reporting in one administrative regulation. The operator will have a much simpler reporting requirement than what is already required for tank battery reporting in 401 KAR 5:090. 401 KAR 5:090 required operators to register their tanks which required an associated fee. This new approach does not require a formal registration process nor does it require a fee. It simply asks the operators to provide GPS locations for their tanks on a form that is already required to be provided by all operators each year.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: The division will not incur any additional costs for the implementation of this administrative regulation.

(b) On a continuing basis: The division will not incur any additional costs for the implementation of this administrative regulation.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: A combination of general and restricted funds will be used for the implementation of this administrative regulation.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment. No increase in fees or funding is necessary to implement this amendment.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees. This administrative regulation does not establish any fees, nor does it directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why tiering was or was not used.)

No, tiering was not used. The provisions in this administrative regulation will apply equally to all oil and gas operators.

FISCAL NOTE ON STATE AND LOCAL GOVERNMENT

Administrative Regulation No.: 805 KAR 1:180

Contact Person: Michael Mullins

Contact number: (502) 782-6720

Email: michael.mullins@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?

This administrative regulation applies almost entirely to the Division of Oil and Gas.

2. Identify each state or federal statute or federal regulation that requires or authorizes action taken by the administrative regulation. KRS 349.130, 353.540, 353.550, 353.5901, 353.670.

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? The proposed administrative regulation will not generate revenue in the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? The proposed administrative regulation will not generate revenue in subsequent years.

(c) How much will it cost to administer this program for the first year? The cabinet's current operating budget will be used to administer this program for the first year.

(d) How much will it cost to administer this program for subsequent years? The cabinet's operating budget will be used to administer this program for subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impacts of the administrative regulation.

Revenues (+/-): There is no known effect on current revenues.

Expenditures (+/-): There is no known effect on current expenditures.

Other Explanation: There is no further explanation.

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE
805 KAR 1:180

This administrative regulation incorporates the following documents:

I. Annual Report of Monthly Production for Natural Gas and/or Crude Oil, OG-17 (October 2019) This form is used by oil and gas operators to provide detailed information about their plans to reclaim their site once the production has stopped. This form was amended in response to comments to incorporate information related to capturing tank battery locations. The amendments to the form corresponds to the amendments in the administrative regulation. This is a new form and consists of 4 pages.